ISSUE 22 SUMMER 2021

FUNDamentals

NEWSLETTER FOR MEMBERS OF THE MARIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

New Contribution Rates Effective July 1, 2021

THIS ISSUE

CONTACT US

By phone:
(415) 473-6147

By fax:
(415) 473-3612

In person/by mail:
One McInnis Parkway
Suite 100 (first floor)
San Rafael, CA 94903-2764

In February, the Retirement Board adopted the June 30, 2020 actuarial valuation report, which includes the employer and employee contribution rates effective July 1, 2021.

The report incorporates new economic and demographic assumption changes adopted by the Board as a result of the 2020 Experience Study. The newly adopted assumptions, which include a reduction to the assumed rate of return from 7% to 6.75%, are the most significant contributors to the change in contribution rates for both employers and employees.

Changes to Employee Rates

Most members will see an increase in their contribution rate reflected in the first paycheck issued in July 2021. The average member contribution rate increase for County of Marin and special district employees is 0.51%, City of San Rafael employees will see an average increase of 0.63%, and Novato Fire employee contribution rates will increase 0.67% on average.

Changes to Employer Rates

The net employer contribution rates for the County of Marin and special districts, City of San Rafael and Novato Fire increased by 0.92%, 1.62% and 0.83%, respectively.

"What is my contribution rate?"

To find the contribution rates for your tier, visit **MCERA.org/members/contributions** and click "Employee Rates Effective July 1, 2021" in the Related Documents box.

Employee contribution rate tables are also included in the actuarial valuation; however, some members contribute an additional percentage based on bargaining agreements that is noted in the Employee Rates booklet but not reflected in the valuation report.

FUNDamentals is published for members of the Marin County Employees' Retirement Association (MCERA).
It is written and designed by MCERA staff unless noted otherwise.

Member comments and suggestions should be directed to Sydney Fowler-Pata at sfowler@marincounty.org.

Board Election Updates

Retiree Member

MCERA is conducting an election for the **Eighth Retiree Member** position on the Retirement Board. Nomination petitions were received from two candidates. Ballots will be mailed in June to all retired members and beneficiaries eligible to vote in the election. Voted ballots must be received by the County of Marin Elections Department by 4:30 pm on July 30.

Alternate Retiree Member & Third General Member

Candidates were sought for the **Alternate Eighth Retiree Member** and **Third General Member** positions and the nomination period has closed. As of the printing of this newsletter final results are not yet available. Please check the Elections page on MCERA's website for updates: **MCERA.org/retirementboard/elections.**

RETIREES:

Watch your mailboxes! Ballots for the Eighth Retiree Member election will be mailed soon.

Adaptability Key to MCERA's Success during Pandemic

The Covid-19 pandemic presented numerous challenges over the past year. For MCERA, it also brought new opportunities.

The health and well-being of our members, retirees, employees, and families is important to us, and our top priority is to ensure our existing retirees and beneficiaries, as well as newly retired members, receive their monthly benefits paid in full and on time. So, while our office closed to customers on March 17, 2020 due to shelter in place orders, we immediately took action to safeguard essential staff working onsite and modify procedures to make certain there would be no impacts to our core business.

We reopened our doors on June 1, 2020 and since then we have retained our safety measures and continued to implement new processes to maintain and enhance our efficiency, customer service, and transparency. The following are just some of the changes we have made to adapt to these unique circumstances.

Staff and Visitor Safety

- Implemented a Site-Specific Protection Plan
- Visitors are encouraged to make an appointment prior to arriving to allow us to limit the number of persons inside at one time
- Posted social distancing signage in all public and staff areas
- Installed acrylic barriers at the front desk, counseling room, and around each staff workstation
- Made hand sanitizer, sanitizing wipes, spray sanitizer and paper towels available throughout the building

Funding the Plan through CONTRIBUTIONS

The MCERA retirement plan is funded by three sources: member (employee) contributions, employer contributions and investment earnings. While investment earnings have historically represented the majority of the plan's income, the contributions made by you and your employer are an important source of funding for the benefits paid to current and future retirees.

Setting Contribution Rates

MCERA retains an independent actuary to perform an actuarial valuation each year. The annual actuarial valuation measures the current and projected assets and liabilities of the retirement system. This information, along with the demographic make-up of the plan, forms the basis for establishing the actuary's recommendations for employee and employer contribution rates for the upcoming fiscal year. The Retirement Board considers the actuary's recommendations in adopting the appropriate contribution rates, which are then conveyed to all participating employers for implementation.

Employee Contributions

All members are required to contribute a percentage of their compensation through regular payroll deductions, generally made on a pre -tax basis.

Employee contribution rates are affected by changes in the normal cost that the actuary calculates to fund the plan on an annual basis. The normal cost is impacted by the assumed rate of return, assumptions regarding cost-of-living benefits, any changes in the level of benefits provided to members, and changes in assumptions regarding life expectancy, among other factors. Investment and other economic and demographic experience gains or losses do not impact employee contribution rates.

Your contributions are critical to your membership: as long as your retirement contributions are on deposit with MCERA, you remain an MCERA member.

Classic members pay a statutorily-based percentage of their *compensation earnable* based on their age when they entered MCERA membership.

PEPRA members pay a percentage of their *pensionable compensation* that is at least 50% of the normal cost of the benefits prescribed by their tier. Also, for PEPRA members there is a cap on the amount of pensionable compensation that applies to both your member contributions and your retirement benefit. Contributions will not be taken and retirement benefits will not be calculated on amounts higher than the cap. The cap is equal to 120% of the Social Security benefit base if you are not covered by Social Security (most MCERA members) and 100% if you are covered by Social Security. As of January 1, 2021, the cap for members not covered by Social Security is $153,671 and $128,059 for members who are covered.

Employer Contributions

Employer contribution rates depend on the level of established benefits, investment returns, and the cost of administering the plan. Like employees, the employer rates change as the normal cost of the plan changes, but employer rates also include the cost of paying off any unfunded actuarial liability. Employer contributions are used, along with employee contributions and investment earnings, to fund retirement payments.

Funding the COLA

You help fund your future retiree cost of living adjustments (COLAs) through the member contributions you make while you're working. When the actuary calculates member contribution rates, a portion of those rates includes the COLA.

DID YOU KNOW?

The MCERA plan has three sources of income:

- Employee contributions
- Employer contributions
- Investment earnings

What if I'm eligible for Social Security?

Although most MCERA members are not participating in Social Security during their MCERA-covered employment, many have had jobs covered by Social Security elsewhere before coming to work for their current employer. If your service with MCERA or another government pension plan is not covered by Social Security, the pension you receive from MCERA (or another public plan) could reduce your Social Security benefits.

Social Security has two provisions that can impact retirees: the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO). These provisions apply if you receive a government pension for work where Social Security taxes were not taken out of your pay.

Windfall Elimination Provision (WEP)

The WEP applies to people who earned a pension in any job where they did not pay Social Security taxes, and also worked in other jobs long enough to qualify for a Social Security benefit (40 quarters). The WEP affects how the amount of your Social Security benefit is calculated. A modified formula is used, resulting in a lower Social Security benefit than you would otherwise receive.

Why was the WEP implemented?
Social Security benefits were intended to replace only a portion of a worker's pre-retirement earnings. The way Social Security benefit amounts are calculated, lower paid workers get a higher return than highly paid workers. For example, lower paid workers could get a Social Security benefit that equals about 55% of their pre-retirement earnings. The average benefit for highly paid workers is about 25% of their pre-retirement earnings.

Before 1983, people who worked in jobs not covered by Social Security received benefits that were computed as if they were long-term low wage workers, and received the advantage of a higher percentage of Social Security benefits in addition to their government pension. The WEP was enacted to eliminate this advantage.

How much will my Social Security benefit be reduced because of the WEP?
The maximum reduction to your Social Security benefit is based on your years of substantial earnings and the year you reach age 62. As an example, people with 20 or less years of substantial earnings under Social Security who turned age 62 in 2020 will not see a reduction in their Social Security benefit larger than $480 per month. Also, if you paid Social Security tax on 30 years of substantial earnings, you are not affected by the WEP.

The WEP is only applied if you are receiving a non-covered pension, such as retirement benefits from MCERA.
If you choose to draw your Social Security benefit prior to receiving your MCERA pension, Social Security will not apply the WEP and will pay your normal benefit. Once you retire from MCERA, the WEP will apply and your Social Security benefit will be reduced going forward.

Government Pension Offset (GPO)

The GPO applies only if you are eligible for Social Security benefits as a spouse. The GPO reduces or eliminates Social Security spousal and survivor benefits for those who collect pensions from jobs that were not covered by Social Security.

How much will my Social Security spousal benefit be reduced because of the GPO?
If this is your situation and you expect to receive a Social Security spousal benefit upon retirement, that benefit will be reduced by two-thirds of your government pension. In some cases this could eliminate your Social Security spousal benefit altogether.

For example, if your monthly MCERA benefit is $1,200, two-thirds of that, or $800, must be deducted from your Social Security spousal benefit. If you are eligible for a $600 spousal benefit from Social Security, that benefit would be reduced to zero ($600 - $800 = $0).

Why was the GPO implemented?
Spousal benefits under Social Security were established in the 1930s to compensate spouses who stayed home and were financially dependent on the working spouse. It has become more common for both spouses to work, each earning his or her own Social Security retirement benefit. The law has always required that a person's benefit as a spouse be offset dollar for dollar by his or her own Social Security benefit.

The GPO was intended to ensure that when determining the amount of the spousal benefit, government employees who earned their pensions while not paying Social Security taxes would be treated in a similar manner to those who work in the private sector and do pay Social Security taxes.

RESOURCES

Social Security Statements
You can create an account and view your earnings record online:
- **ssa.gov/myaccount**

Call Social Security
Representatives are available from 7 a.m. to 7 p.m. in all time zones:
- 1-800-772-1213

Social Security Website
Fact sheets on the WEP and GPO, as well as tools to estimate your Social Security benefits with the offsets, are available online:
- **ssa.gov**

MCERA Website
The publications page on MCERA's website also has links to Social Security resources:
- **MCERA.org/resources/publications**

More Benefits to Staying Healthy: Service Credit for Unused Sick Leave

Staying healthy can add years to your life, but it can also benefit you when you retire.

Unlike vacation hours, unused sick leave hours can be converted to service credit at the time of retirement. Most MCERA members are eligible to increase their monthly retirement benefit with this type of service conversion.

How does my accrued sick leave to service credit?

To be eligible to convert your unused sick leave to service credit you must terminate active employment and begin retirement the day after your termination date.

Also, the amount of sick leave you can convert depends on your employer, and each employer has different rules.

County of Marin and Marin Superior Court employees are eligible to convert 75% of their unused accumulated sick leave to service credit at the time of retirement. Novato Fire Protection District employees are eligible to convert 100% of their sick leave, and Southern Marin Fire Protection District employees are eligible to convert 40%.

The City of San Rafael sick leave conversion policies vary by bargaining unit. Most San Rafael employees hired before June 30, 2009 are eligible to convert 100% of their sick leave to service credit. San Rafael employees with questions about their bargaining unit's sick leave conversion policy should contact the San Rafael Human Resources Department.

All other participating employers do not currently have sick leave conversion policies.

Sick leave does not count toward retirement or medical eligibility.

Keep in mind that converted sick leave service credit is added into your total service credit when your retirement benefit is calculated, but it cannot be used to meet any eligibility requirements. For example, you cannot use your accumulated sick leave hours to reach the 5-year vesting requirement. To be vested, you must have actually worked and paid contributions for 5 years.

Link Your Public Service through Reciprocity

Were you a member of a public retirement system in California before entering MCERA membership?

Are you leaving your MCERA employer to take a new position with a different public employer in California?

If you can answer yes to either of these questions you may benefit from establishing reciprocity.

Reciprocity Requirements

- Your break in service between retirement systems must be no more than 180 days.
- You must have a clean break in service with no overlapping service credit.
- Your retirement contributions must remain on deposit with all reciprocal systems.

Reciprocity Advantages

- Your service credit in each of your reciprocal retirement systems combines to make you vested and eligible to retire, so you don't "start over" when you move between systems.
- Your highest average compensation earned in any retirement system will be used by all systems to calculate your retirement benefit.
- If you were a member of a reciprocal retirement system prior to January 1, 2013, you may be eligible to retain your Classic member status, meaning you would be eligible for the tier and benefit levels in place with your new system as of December 31, 2012, prior to pension reform.

Reciprocal Retirement Systems

MCERA has reciprocal agreements with 19 other California counties operating under the County Employees' Retirement Law of 1937 (1937 Act), the California Public Employees' Retirement System (CalPERS), the California State Teachers' Retirement System (CalSTRS), and other public retirement systems that have a reciprocal agreement with CalPERS. Reciprocity is not available with the University of California retirement system, Federal retirement system, or any retirement systems outside of California.

Reciprocity Must be Elected

Reciprocity is not automatic, and you must make the election to establish it. If you need help determining whether reciprocity is right for your situation, contact the Active Member Benefits Team at (415) 473-4148 or **MCERABenefits@marincounty.org**.

Keep Your Beneficiary Current

Naming a beneficiary for your MCERA account is one of the most important things you can do for your loved ones. In the event of your death, having this information on file simplifies the payment process for your survivor(s) and ensures that MCERA will distribute your contributions the way you wish.

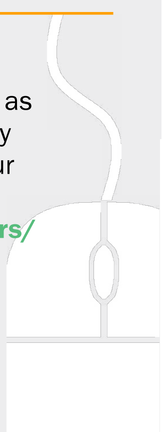
ACTIVE & DEFERRED MEMBERS

Your Annual Benefit Statement lists your designated beneficiary(ies). We recommend that you check to make sure this information is correct at least once a year. All beneficiary changes must be made in writing with your signature. Active and deferred members can download the Beneficiary Change form from our website or contact us for a copy.

RETIRED MEMBERS

Changing your beneficiary after retirement has specific considerations. If you receive monthly benefits from MCERA and have questions about beneficiaries, please contact our office.

More information on naming a beneficiary, as well as the Beneficiary Change form, is on our website at **MCERA.org/members/beneficiaries.**



Frequently Asked Questions: MY CONTRIBUTIONS

Is my future MCERA retirement benefit based on my contributions?

MCERA is a defined benefit plan, which means that your future service retirement benefit is calculated using a formula that is based on your age at retirement, your service credit, and your highest average compensation. Your accumulated contributions pay for the service credit that you earn, but your contribution balance is not a component of the benefit formula.

Does my contribution account earn interest?

Yes. Your account receives interest every June 30 and December 31 on the previous six-month balance. The current interest rate and the amount you received are on your annual benefit statement. If you terminate employment and decide to withdraw your MCERA account, all of your member contributions and earned interest will be refunded to you.

Can I increase my contributions to my MCERA account?

The only way to make additional contributions to your MCERA account is by making an eligible service purchase. Employee contribution rates are recommended by MCERA's actuary and adopted by the Retirement Board in accordance with the law. Also, since this is a defined benefit plan your service retirement benefit is determined by a fixed formula that doesn't consider your account balance, and the ability to otherwise increase your contributions would not increase your monthly benefit.

If you participate in a deferred compensation plan, such as a 457(b) plan offered by your employer, you may be able to increase your contributions to that account and increase your future benefit from that plan. We recommend contacting the plan provider for more information.

Can I borrow against my MCERA account?

No. The money you contribute is held solely for the purpose of paying a future benefit, or refunded to you if you terminate employment and elect to end your MCERA membership.

Why is my retirement contribution percentage different from that of my coworker?

Member contribution rates are based on a number of factors. For **Classic** members, your contribution rate is determined by your retirement tier and your age at entry or re-entry into MCERA membership, or your age at entry into a prior reciprocal retirement system. The younger you are when you enter membership in a Classic tier, the lower your contribution rate will be. Contribution rates for **PEPRA** members are determined by tier only and are the same for all members within that tier regardless of age at entry into membership.

Will my retirement contributions ever stop?

Member contributions toward retirement are a condition of employment and will be deducted from your pay as long as you are employed by one of MCERA's participating employers in a permanent position working at least 75% of full time hours. Members in **Classic** retirement tiers will stop paying retirement contributions once they have earned 30 years of service credit, including purchased and reciprocal service. Members in **PEPRA** tiers must continue making retirement contributions regardless of earned service credit.

Do I have to withdraw my contributions if I terminate employment and don't retire?

No. If you terminate employment with one of MCERA's participating employers you have the option to leave your member contributions and interest on deposit and retire at a later date. If you have at least 5 years of service credit, including purchased and reciprocal service, you are vested and can retire when you have met all eligibility requirements. If you have less than 5 years of service credit your earliest retirement eligibility occurs at age 70.

Adaptability Key to MCERA's Success

Continued from page 2

- Required face coverings at all times except when alone in an office with a door
- Increased daily surface cleaning of restrooms, kitchen, doors and door handles
- Cleaned the HVAC system
- Approximately half of the staff works remotely and with laptops, monitors, keyboards, chairs, and other office supplies provided by MCERA
- Staff received specific instructions for safeguarding member information while working from home

Workload Processing & Communication

- The front desk is continually staffed for receipt and processing of mail and imaging of all documents
- A bin was placed in the lobby outside of our suite door to allow for documents to be dropped off if it is not necessary to come inside
- Application packets and other documents are now sent to members electronically as well as hard copy
- Witnessed signature requirements for Retirement Applications and Beneficiary Change Forms were suspended with verification procedures adopted to validate submission in different ways
- A new workflow process was implemented and the use of all paper documents in workflow has ceased
- Hard copy member files were moved offsite
- One-on-one counseling and meetings are held via video conference using Microsoft Teams or Zoom

Board of Retirement

- All Board and Committee meetings are conducted via Zoom
- Public comment is now accepted via email submission or live during the video meeting
- Electronic meeting packets are posted on our website

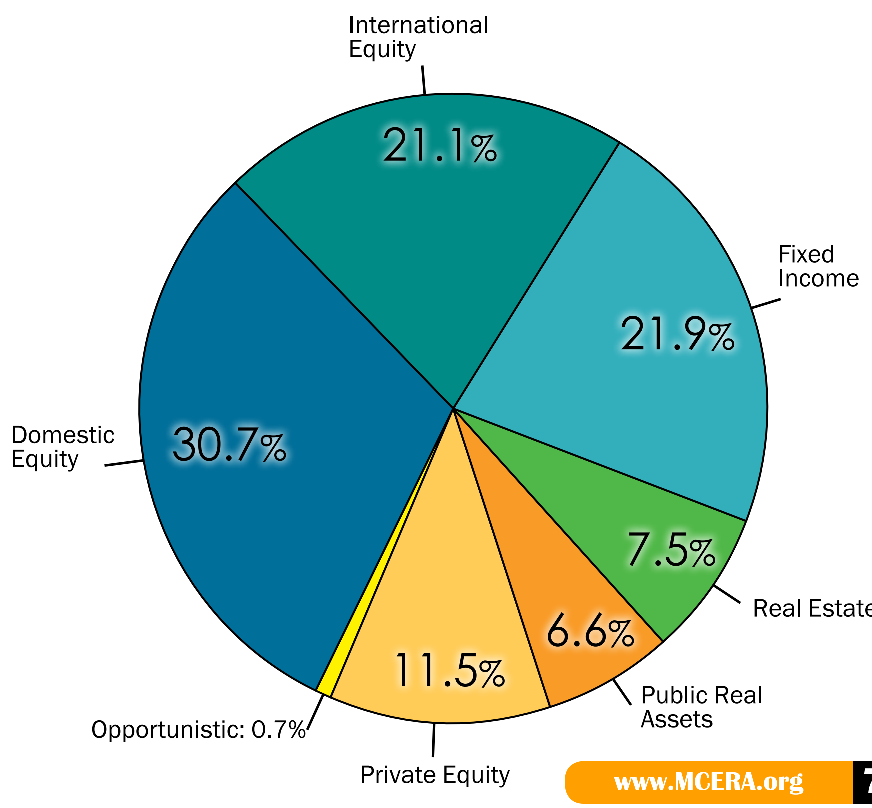
FIND IT ONLINE!

All Retirement Board agendas, minutes and policies are posted on our website.

Visit MCERA.org and click on **Retirement Board**.

INVESTMENT PORTFOLIO as of March 31, 2021

Domestic Equity	$	963,519,198
International Equity	$	663,121,587
Fixed Income	$	685,882,251
Real Estate	$	237,342,859
Public Real Assets	$	206,402,337
Private Equity	$	361,105,398
Opportunistic	$	21,998,886
TOTAL	$	3,139,372,515



Marin County Employees' Retirement Association
One McInnis Parkway, Suite 100
San Rafael, CA 94903-2764

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Participating Employers:

- City of San Rafael
- County of Marin
- LAFCO
- Marin City Community Services District
- Marin/Sonoma Mosquito & Vector Control District
- Marin Superior Court
- Novato Fire Protection District
- Southern Marin Fire Protection District
- Tamalpais Community Services District

FUND*amentals*

MCERA is implementing **e-mail alerts**!

Stay tuned for instructions on how to enroll later this summer.

Important Note
MCERA staff prepared this newsletter to help our members understand issues surrounding many aspects of their retirement benefits. The information contained herein is not intended to be all-inclusive. The information is general and is written to be as understandable as possible while remaining accurate. MCERA is governed by state and federal law. If any conflicts arise between the information presented and applicable law, the law will prevail. MCERA staff is unable to address specific legal or tax-related questions. If you have legal or tax-related questions about your retirement, please consult competent legal or tax counsel.